

CALIFORNIA LOTTERY

Audit Report

CAL-CARD PROGRAM

January 1, 2010, through December 31, 2012



JOHN CHIANG
California State Controller

June 2014



JOHN CHIANG
California State Controller

June 12, 2014

Paula D. LaBrie, Acting Director
California Lottery Commission
700 North Tenth Street
Sacramento, CA 95811

Dear Ms. LaBrie:

The State Controller's Office audited the California Lottery's (Lottery) CAL-Card program for the period of January 1, 2010, through December 31, 2012. The purpose of the audit was to determine if the Lottery's CAL-Card expenditures are adequately controlled and if the Lottery has sound financial and program management practices over the CAL-Card. Our audit did not disclose any significant conditions or internal control weaknesses that would be considered pervasive in their effects on the CAL-Card program.

If you have any questions, please call Andrew Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/mh

cc: John Smolin, Chairperson
California Lottery Commission
Gregory Ahern, Commissioner
California Lottery Commission
Rowena Libang-Bobila, Commissioner
California Lottery Commission
Nathaniel Kirtman III, Commissioner
California Lottery Commission
Connie M. Perez, Commissioner
California Lottery Commission
Nicholas Buchen, Deputy Director, Finance
California Lottery
Roberto Zavala, Chief Internal Auditor
California Lottery

Contents

Audit Report

Summary	1
Background.....	1
Objectives, Scope, and Methodology	2
Conclusion.....	2
Views of Responsible Officials	2
Restricted Use	3

Audit Report

Summary

The State Controller's Office audited the California Lottery's (Lottery) CAL-Card program for the period of January 1, 2010, through December 31, 2012. The purpose of the audit was to determine if the Lottery's CAL-Card expenditures are adequately controlled and if the Lottery has sound financial and program management practices over the CAL-Card. Our audit did not disclose any significant conditions or internal control weaknesses that would be considered pervasive in their effects on the CAL-Card program.

Background

By authority of the California Constitution, Government Code section 12410 states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provision of law for payment." In addition, Government Code section 12411 stipulates that "... the Controller shall suggest plans for the improvement and management of revenues."

Proposition 37, the California State Lottery Act of 1984 (Lottery Act), amended the California Constitution to authorize the establishment of a statewide lottery, to create the California Lottery Commission, and to give the commission broad powers to oversee the operation of a statewide lottery.

Pursuant to Government Code section 8880.46.6, the SCO may conduct other special post-audits of the Lottery, as the State Controller deems necessary. The Controller or his/her agents conducting an audit under this chapter shall have access and authority to examine any and all records of the California Lottery Commission.

In 1992, the Department of General Services awarded an 18-month competitively bid pilot contract that called for six state agencies to test the advantages and disadvantages of employing purchase cards for small dollar purchases of commodities. Due to the success of the pilot program, the contract was renewed and made available to all state and local government agencies. The CAL-Card program allows state and local government agencies to utilize the Master Services Agreement through a contract addendum process. The program is intended to streamline payment procedures and reduce the administrative burden associated with processing work-related purchases of state and local agencies.

The Lottery's Contract and Procurement Services Section administers the Lottery's CAL-Card program by providing general management and monitoring of the Lottery's CAL-Card accounts. The State of California Master Service Agreement with US Bank provides the Lottery with Visa bank card services.

Objectives, Scope, and Methodology

The audit period was January 1, 2010, through December 31, 2012. The purpose of the audit was to determine if the Lottery's CAL-Card expenditures are adequately controlled and if the Lottery has sound financial and program management practices over the CAL-Card.

The objectives of the audit were to determine whether the Lottery:

- Has adequate fiscal controls over the CAL-Card program;
- Has made CAL-Card purchases that were legal and proper and in accordance with CAL-Card program guidelines, Department of General Services (DGS) CAL-Card procedures, the State Administrative Manual (SAM), and other applicable policies and regulations; and
- Maintains adequate documentation to support CAL-Card purchases and claims submitted to the State Controller's Office (SCO).

The audit procedures included, but were not limited, to the following:

- Reviewing the Lottery CAL-Card procedures, DGS CAL-Card procedures, the SAM, and other applicable policies and procedures related to CAL-Card.
- Reviewing work performed by any external audit organization or by the Lottery's Internal Audit Office
- Analyzing and evaluating the internal controls for the CAL-Card purchases.
- Performing tests to determine if control objectives are properly achieved.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We did not audit the Lottery's financial statements.

Conclusion

Our audit the California Lottery's CAL-Card program for the period of January 1, 2010, through December 31, 2012 did not disclose any significant conditions or internal control weaknesses that would be considered pervasive in their effects on the CAL-Card program.

Views of Responsible Officials

We discussed our audit results with Margaret Chan, Assistant Deputy Director, Finance Division; and Roberto Zavala, Chief Internal Auditor, during the exit conference held on January 9, 2014. No reportable findings were disclosed during our audit; therefore, a draft report is not necessary, and the report is issued as final.

Restricted Use

This report is intended for the information and use of the California Lottery, the California Lottery Commission, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of the final report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

June 12, 2014

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>